

Message Text

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PAGE 01 HONG K 06953 100909Z

12

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

PA-03 PRS-01 USIA-12 AGR-20 RSR-01 /182 W

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R 100845Z JUL 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 7547

TREAS DEPT WASHDC

INFO AMEMBASSY LONDON

AMEMBASSY SINGAPORE

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FROM TREASURY BARNARD FOR TREASURY/OASIA

E.O. 11652: N/A

TAGS: EFIN

SUBJ: FOREIGN EXCHANGE: HONG KONG GOVT INTERVENES TO
SUPPORT US DOLLAR; CHINA REVALUES RMB AGAINST HK DOLLAR

REF: HONG KONG 6684

1. AFTER NINE WEEKS OF DECLINE FROM NEAR IMF CEILING OF
HK\$5.1994, US DOLLAR OPENED JULY 9 BELOW FLOOR OF
HK\$4.9706 AND STIMULATED HONG KONG GOVT INTERVENTION. ALTHOUGH
NOT OFFICIALLY ACKNOWLEDGED, TRADERS SAY PATTERN OF BUYING AT
SUPPORT LEVEL LEAVES NO DOUBT THAT HK EXCHANGE FUND ENTERED MARKET.

2. RECENT US DOLLAR SALES HAVE BEEN ABOVE NORMAL BUT PROBABLY WERE
NOT MORE THAN US\$15-20 MILLION ON JULY 9, WHICH IN VERY THIN HONG
KONG MARKET WERE ENOUGH TO AFFECT RATES APPRECIABLY. OPINION
DIVIDED ON IDENTITY OF SELLERS. SOME BANKS ARE REPORTED
CONVERTING EURO-DOLLARS TO MEET HK DOLLAR LOAN COMMITMENTS, BUT
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FACT THAT MONEY AVAILABLE IN INTER-BANK MARKET AT 4 1/2 PERCENT SUG-

GESTS THIS ONLY PARTIAL EXPLANATION. BANKING COMMISSIONER SAYS HE CONVINCED PRINCIPAL SELLERS ARE CURRENCY SPECULATORS WHO HAVE RECENTLY DISCOVERED HONG KONG AND WHO THINK THEY ARE BIG ENOUGH TO FORCE REVALUATION HK DOLLAR WITHOUT EXCESSIVE RISK.

3. ALTHOUGH HK DOLLAR HAS MOVED UP SHARPLY AGAINST BOTH US DOLLAR AND STERLING IN PAST WEEK (LATEST PRICE HK\$12.60 TO POUND), BANK OF CHINA ANNOUNCED TODAY THAT RMB RATE CHANGED FROM 38.00 TO 36.11 PER HK\$100, A DEVALUATION OF LATTER BY 4.97 PERCENT. REACTION IN HKG HAS BEEN ACUTE UNHAPPINESS AS NEW RATE INCREASED STILL MORE THE PRICE OF VITAL FOODSTUFFS FROM CHINA AT TIME WHEN COLONY GRAPPLING WITH LABOR UNREST CAUSED CHIEFLY BY RISING COST OF LIVING. WE HOPE TO GET RMB RATES FOR OTHER CURRENCIES IN NEXT DAY OR SO.
OSBORN

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